

January 20, 2004

MEMORANDUM TO: William D. Travers  
Executive Director for Operations

Jesse L. Funches  
Chief Financial Officer

FROM: Stephen D. Dingbaum/**RA**  
Assistant Inspector General for Audits

SUBJECT: MEMORANDUM REPORT - REVIEW OF NRC'S  
IMPLEMENTATION OF THE FEDERAL MANAGERS' FINANCIAL  
INTEGRITY ACT FOR FISCAL YEAR 2003 (OIG-04-A-05)

This report reflects the Office of the Inspector General's (OIG) assessment of the Nuclear Regulatory Commission's (NRC) compliance with the *Federal Managers' Financial Integrity Act* (FMFIA) for fiscal year (FY) 2003. We found that, for FY 2003, NRC complied with FMFIA. We are not reporting any material weaknesses and this report contains no recommendations.

## **BACKGROUND**

FMFIA was enacted on September 8, 1982, in response to continuing disclosures of waste, loss, unauthorized use, and misappropriation of funds or assets associated with weak internal controls and accounting systems. Congress felt such abuses hampered the effectiveness and accountability of the Federal Government and eroded the public's confidence. FMFIA requires Federal managers to establish a continuous process for evaluating, improving, and reporting on the internal controls and accounting systems for which they are responsible.

FMFIA requires that, each year, the head of each executive agency (subject to FMFIA) shall submit a report to the President and Congress on the status of management controls and financial systems that protect the integrity of agency programs and administrative activities. NRC makes its FMFIA assessment and report in its annual *Performance and Accountability Report*.

Office of Management and Budget Circular A-123, Revised, *Management Accountability and Control*, is the implementing guidance for FMFIA. The term "internal controls," as envisioned by FMFIA, is synonymous with "management controls" and encompasses program and administrative areas, as well as the accounting and financial management areas. Circular A-123 and NRC Management Directive (MD) 4.4, *Management Controls*, are the agency's implementing guidance for FMFIA.

## **RESULTS**

NRC complied with FMFIA requirements for FY 2003. Neither NRC nor OIG are reporting any material weaknesses. During FY 2003, NRC successfully achieved a redesign of the managerial cost accounting system and enhanced the documentation of controls and operating procedures. As a result, managerial cost accounting is no longer considered a material weakness.

## **SCOPE/CONTRIBUTORS**

We evaluated the management controls related to the NRC's implementation of FMFIA for FY 2003, and conducted our work in October and November 2003, in accordance with Generally Accepted Government Auditing Standards. This review was conducted by Steven Shea, Senior Auditor and Steven Zane, Team Leader.

If you have any questions or concerns regarding this report, please contact me at 415-5915 or Steven Zane at 415-5912.

cc: Chairman Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

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